

BENCHMARKING EVALUATION OF SME SUPPORT PROGRAM: CASE OF CONSULTING SUBSIDIARY GRANTS IN SLOVENIA AND FYROM

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Abstract

SMEs need external business support, in particular during the early development stage. Government agencies have developed a number of initiatives and voucher system is targeted at counselling combined with information and training. A pilot program started in two small regions and the program is scheduled to cover the whole territory, relying on the network of local enterprise centres. In 2006 the know-how for the system was transferred into Former Yugoslav Republic of Macedonia. This paper presents the fundamental concept of the voucher system and the rules for a comprehensive approach, discusses the organizational structure and functions of different stakeholders. The assumptions for an effective system are analyzed and comments from evaluations are discussed. The potentials for further development of the system in FYROM on the basis of the know-how from Slovenia are assessed. An innovative outcome of the study is development of the framework for bench-marking based policy measure evaluation.

Keywords: Support to SMEs, policy measures, government, transition economy, market failure, counselling, consultants, local enterprise centre, small and medium-sized businesses, performance, voucher system, satisfaction level,

JEL Classification: H25, L26, L88

Know-how Transfer of Public Support Programs for SMEs From Slovenia to FYROM

1. Introduction

Within developed market economies, first in the USA and later in Europe, there has been a renaissance in the small business sector in the sense of contribution to innovation, improved business performance and competitiveness (Beaver and Prince, 2004). The majority of enterprises employ less than ten employees and small businesses have become a major contributor to private-sector employment, output and innovation. The wave of entrepreneurship reached transition countries with some time-lag, and Slovenian economy has been characterized during early 1990's with an outburst in the number of new small companies and sole proprietors (Glas and Drnovsek, 1998). Similar process was followed in Former Yugoslav Republic of Macedonia (FYROM) after a couple of years.

The need to stimulate the development of the small business sector has been confirmed in the EU countries in the effort to change the dynamics of structural

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changes, new technologies, products and services. A number of policy initiatives have been developed and introduced by numerous agencies. They should compensate for the market failure since the free market mechanism does not adequately support the flow of new ventures. On the other hand, many important efforts have been input into creating an entrepreneurial climate in support of SMEs (Gibb, 1999).

The importance of entrepreneurship counselling for successful venture initiation and venture growth is widely acknowledged in the entrepreneurship textbooks however, its impact on business performance has been so far neglected by academic research leaving a scarcity of knowledge in the field (Lambrecht and Pirnay, 2005). Entrepreneurship is a process of change that needs a more supportive environment to sustain it. Because business advisory, counselling and information services may not be affordable for SMEs, they can be offered for free and/or for a (reduced) fee. There is an on-going debate among policy makers, practitioners and academics that most services can be provided at a low-cost for start-ups through business service providers. Instead of subsidizing individual entrepreneurs, subsidies should be oriented towards developing service products/activities rather than institutions. The voucher counselling system (VCS) can be identified as an innovative type of subsidy which is targeted towards developing services.

The VCS was developed and implemented in Slovenia in 2002. The main objective of the VCS is to offer consulting services to SMEs through a number of government supported intermediaries following the following three rules: (1) subsidized and controlled prices of consulting, (2) recruitment system for consultants in order to ensure quality of services and, (3) geographical spread in order to make services available throughout the country. After several years of successful operation (Drnovšek, 2005) the VCS know-how was transferred to FYROM within the bilateral cooperation between the two national SME support agencies: Small Business Development Centre (SBDC) from Slovenia and Agency for Entrepreneurship Promotion (AEP) from FYROM. Similar as the know-how for the VCS operation, also the methodology from Slovenia was applied to make the first evaluation of the VCS in FYROM in 2008. The objective of the paper is to compare findings from evaluation done in 2006 in Slovenia and the mentioned one in FYROM.

The structure of the paper is as follows: first the theoretical background of government's assistance to SMEs is presented. Following, the rationale is discussed and basic concepts underlying development of the VCS; then findings from a service quality survey in Slovenia are briefly presented. The development of the VCS in FYROM is presented and several comparisons based on qualitative data obtained in the two countries are discussed. Some implications and future challenges for development of the system in both countries are discussed. In the end, some possibilities for development of benchmarking based evaluation methodologies are proposed.

2. Theoretical Framework

Although it is clear that entrepreneurs and managers develop small businesses, government can have a certain effect on how firms, particularly small ones, operate. Indeed, government policy and its influence on the institutional environment has become a key focus of efforts to help to improve how small firms develop and economies compete. As a result, almost all European and several other countries have active policies for improving competitiveness of their SMEs. Unfortunately, these policies often base on 'mythical concepts' and ignore findings of academic research (Gibb, 2000). The main three dimensions of the government role are: regulator (enabling competition fair), economic agent (assisting in entering new, foreign markets) and, as strategic planner and promoter with objective to have more people interest in pursuing entrepreneurship career on the longer run (Bennet, 2006).

The need for government action for SMEs has been justified by three main arguments: (1) the market failure which inhibits small business development, (2) there is a great public interest in SMEs because they create jobs and, (3) government can develop a strategic vision for the economy which individual SME cannot (Storey, 1993). One of the common components of the market failure argument has been that SMEs are less aware of advice, information and other business services that may be supplied on the market (Gibb and Dyson, 1984). They are also sceptical about the value of services and are not willing to pay for them, which lead to the unwillingness to seek external support (Storey and Westhead, 1996). This argument is frequently used to justify government advice and information programs for SMEs. While this might have been true in 70's and 80's, there is little evidence that this is still a case today (Bennet and Robson, 2000). An extensive survey of the small firms using external advice, consultancy, training and other business services suggest that small firms are just that likely to use these services as any other firm with the possible exceptions of start-up and early stages of growth (Ramsden and Bennet, 2005). The cornerstone of the start-up process is the support to entrepreneurial idea which is a basis to create and exploit opportunity and create value (Van der Veen and Wakkee, 2004). By convincing potential employees, customers, suppliers and investors of the legitimacy of the idea, the founder, with a possible back-up by the outside assistance, is able to mobilise the resources that these stakeholders possess on behalf of the developing firm (Delmar and Shane, 2004) which may be crucial element of the survival probability during the start-up phase. Unfortunately, too many of all newly started firms die within the first two years of their operation (Audretsch et al., 2000).

Probably, the most important issue of market failures for small firms is that they face specific barriers and unequal treatment which government should help to remove (Bannock and Peacock, 1989). Larger firms find it easier to gain advantages of economies of scale in examples such as purchasing larger quantities, economies in administration, affordability of outside expertise etc. Unfortunately, it is often government itself, which creates disadvantages for small firms thus, raising their average cost of compliance with regulatory and administrative issues which tend to be two to ten times higher in smaller firms comparing to larger counterparts (Cressy, 2000).

The co-operation process between SMEs and external providers of services is often described with the lack of market transparency, problems in the search phase, a lack of co-operation targets and evaluation criteria as well as deficits in the co-operation during the transfer phase lead to a considerable number of SMEs which are disappointed with the services delivered. This problem can be met by the development of new forms of assistance and services. In this context, new learning technologies can be used to foster co-operative learning and networking (Kailer and Scheff, 1999).

The usage of business consulting services in SME sector has not been researched extensively yet. There is some evidence about more general outside assistance (Chrisman, McMullan, 2004) however the use of various types of business advice is not explored in depth although there are several arguments that show the positive impact of using outside advice and other support services on survival likelihood of the new ventures (Delmar and Shane, 2004). Also, the issue is not very well researched in transition economies with a couple of recent exceptions like Bulgaria (Baltov, 2005), Czech Republic (Bohatá and Mládek, 1999), FYROM (Nikolovski and Stojčev, 2008), Lithuania (Urbonavičius and Dikčius, 2005) and Slovenia (Drnovsek et al., 2004).

One of the modestly addressed research questions so far has been, how different types of business consulting services influence SME growth in terms of sales volume and employment. This is the most common (Birley and Westhead, 1994) but, rather simplified measure of SME growth and success (Murphy et al., 1996), but sophisticated measurements have their own imperfections (Abouzeedan and Busler, 2004). Growth in relation to small businesses represents a complex matter and is multidimensional in scope and character (Keasey et al., 1994). It includes a spectrum of owner-manager ambitions, intentions, and competencies; internal organizational factors; region specific resources and infrastructure; and external influences (Morrison et al., 2003). Many influences are relatively well discussed (Rodríguez et al., 2003), but the use of business consulting services is poorly included into analyses.

The impact of the support measures to the performance of SMEs has been the subject to many pieces of partial research (Huang, 2001) with reasonable concepts reliably tested only in fields like education, training and research (Davidsson and Klofsten, 2002), hard infrastructure (Heydebreck et al., 2000) but, research opus falls short investigating the possible positive influence of information, advice, counselling and, mentoring (Young and Perrewé, 2000) provided in the form of public policy support measure.

Flaws in research design and analysis, abuse of academic credibility, and structural pressures towards producing research for career management purposes rather than for satisfying curiosity or meeting societal needs may lead to do more harm than good from academic research for the purpose of support policy application. However, through various routes scholarly knowledge does reach practitioners, and by making abstracted sense of successful entrepreneurship practice,

scholars in entrepreneurship can speed up the diffusion of good ideas within a domain (Davidsson, 2002). Thus, academics, policy makers and practitioners should aim to integrate solutions which serve as evaluation methodologies to assess the various scope of impact of policy measures (Chandler and Lyon, 2001).

3. The Voucher System of Counseling (VCS)

3.1. Introduction in Slovenia

The VCS in Slovenia was inspired by the self-employment program in Slovenia and by number of best practices from other countries. The self-employment program offered a combination of advisory services, information and training, together with modest financial assistance. Foreign practices referred to include the system of Small Business Administration in the USA, the voucher scheme in Catalunya (Spain), along with experiences from Austria and the United Kingdom. The system has to be built on a comprehensive scheme with a SME development strategy/policy, delivery mechanism and well-designed programs (Glas, 2000).

The VCS provides basic ‘soft’ support on favourable terms to different groups of beneficiaries in all localities across the country in order to ensure the equality of opportunity to start and develop one’s own business. However, it is differentiated for the various phases in the growth cycle of the new venture. The need for support was clearly identified by research on SME development in Slovenia (Glas and Drnovšek, 1998). The VCS in Slovenia was regularly evaluated with the last evaluation done in 2005 (Drnovšek, 2005). There has been an on-going debate on indicators of the success of the scheme. However, no methodological approach has been so far adopted which would enable a “*ceteris paribus*” assessment of effectiveness and efficiency of the VCS which is based on a large number of small amount assistances to SMEs.

3.2. Transfer of VCS know-how to Macedonia

The VCS in FYROM is modelled closely after the Slovenian VCS. It engages business support organizations on behalf of the AEM which is the managing authority for the implementation of the VCS. The pilot phase was implemented from November 2005 to January 2006 in cooperation with two Regional enterprise centres (REC). The delivery system for the VCS was established during the pilot phase and entailed the preparation of initial documentation, selection of implementing partners, design of IT support, recruitment of consultants-counsellors, and promotion of the VCS to the target group (Hase and Nanevski, 2006).

The VCS was further strengthened in 2007 through technical inputs from the EU. A solid foundation has been laid for the VCS to operate efficiently, and the scheme has achieved positive albeit modest results. On the downside, the scheme’s outreach, scale and impact is fairly negligible due to the fact that the initiative has been under-resourced and there are still shortcomings in organization, governance and competencies. A key question is why the scheme was not adequately funded by the government, after it was successfully piloted and strengthened via donor assistance. Furthermore, although various donors have expressed interest in

financially supporting the VCS, without evidence of strong government endorsement and/or significant financial contribution from the state budget, donors have opted instead to support other initiatives (Hase and Nanevski, 2006).

The interest shown in the VCS from SMEs and from individuals and the uptake of the vouchers offered so far, demonstrate a need for such assistance which takes into account the different demand for services depending of the life-cycle position of particular SME (Baltov, 1999). The design of the delivery system was successfully adapted to the conditions in the country during the pilot phase. As for synergy with other programs and/or organizations, AEM has an extensive network of contacts in the local donor and economic development community, as well as in other countries in the SEE region such as Slovenia (Dunn, 2007).

4. Methodology and propositions

The methodological approach in Slovenia used qualitative and quantitative research techniques. First, face to face structured interviews were conducted with the target groups in the system: entrepreneurs included in the system and who had already used its services, and local co-coordinators and consultants to SMEs. The qualitative data provided by key informants was used in developing self-reporting questionnaires which were sent to all entrepreneurs participating in the system in the past and business consultants who actively participated in the system (Drnovšek, 2005).

The findings in this study are based from the survey done in April 2008 in FYROM. Questionnaires were translated from Slovenian to Macedonian language by a Macedonian native speaker who spent many years working with companies and Slovenia. After the translation had been finished it was checked by the author and tested by a group of eight entrepreneurs and a small number of changes were made to increase the clarity of the questions. In total, there were around 100 questions, majority of them being of the multiple choice type and no open ended question except the invitation for possible final comments. The survey was mailed to all the clients who participated in the VCS from its launch until the time of the survey and were 194 in total. The Regional enterprise centres (RECs) were encouraged to do follow-up and get the number of returned questionnaires as high as possible. In the end 96 questionnaires were returned by SME clients. A 49.5 % response rate was achieved which is high, but not surprising, because the questionnaires were well target. Except the anonymity promised in the cover letter, there were no other assurance of confidentiality. The following propositions which were derived mainly on previous Slovenian experience (Drnovšek et al., 2004; Drnovšek, 2005; Vadnjal, 2008):

P1. Entrepreneurs in FYROM generally receive their first experience with outside assistance through the VCS. The RECs are the most important distribution channel.

P2. The level of satisfaction with different aspects of VCS in FYROM is significantly higher in FYROM comparing to Slovenia.

P3. There is high level of similarity in perceived importance of certain aspects of VCS in FYROM and Slovenia.

P4. The entrepreneurs generally value less the services by RECs comparing to those supplied by consultants.

P5. The opportunity for development of benchmarking evaluation methodologies for public policy measures is feasible enough to be further elaborated.

The particularity of listed propositions is that they are not based on presented literature study but, are derived from experience in Slovenia with basic assumption that the evaluation in Slovenia (Drnovšek, 2005) was designed in a manner that left space for possible replication in other environments and provided opportunity for benchmarking analyse of results from two or more countries. One of the ambitions of this paper is therefore to contribute to the increase of knowledge on public policy evaluations with a special dedication to the evaluation of programmes which have been transferred within different economies.

Common statistic tools were used to analyze the possible differences in means (t-test) for variables within the sample in FYROM and to compare with some data from Slovenia where 97 responds were collected (Drnovšek, 2005) so the sample sizes were comparable. Kendall's tau (τ) was used to analyze differences in rankings of importance between the two samples.

5. Results and discussion

5.1. *Some demographic data*

Young companies (1 to 2 years were represented with 15 %, older companies of 10 years and more with 38 %, while 3 – 5 years old companies accounted for 23 %, and 5 – 10 years old companies for 18 % of the total sample) mainly participated in the study. As much as 67 % of companies regarded themselves as family business, which is quite expected for a transition economy. Respondents were in majority (82 %) whether owners managers or founders of the company. Most of them were in their middle age (72 % in the range between 30 and 50 years). Only 15 % of participants were women which may indicate that they are neglected in the entrepreneurial activities. The SME participants were well educated (49 % having university degree or higher). Although there is no evidence on the level of education of entrepreneurs in FYROM on can suspect that, in average, it would be much lower then in the sample. This finding can be interpreted that higher educated entrepreneurs would have higher preferences to seek useful information and find assistance for their business challenges. Interestingly, 56 % of respondents had most experience in marketing and sales, followed by those with manufacturing experience (26 %) and managerial experience (13 %). In average, participants had 16 years of working experience.

Two thirds of the researched companies were dealing with some kind of manufacturing activity (mostly metal, wood and plastic processing) and 28 % were in construction business. Less than half of the companies reported more than one activity they deal with. Close to 60 % of respondents were servicing both, households and other businesses. 26 % of them are entirely in the business-to-business market while 8 % were in retailing market. None of the respondents was supplying to the government or public institutions. Among 96 participating

companies, almost three quarters of the respondents are quite optimistic about their business future and believe they will manage to expand their operations. As mentioned, there is no comparable comprehensive study on SMEs in FYROM available which would provide comparable and systematically collected data which would enable an opportunity for an in-depth analyse of possible sample biases.

5.2. Different aspects of the VCS

The company had a development project and this was the main reason for 38 % to get involved in the VCS. There was 33 % of the clients were encouraged by consultants and 26 % of participants needed professional help because their businesses dealt with some growing issues. It can be evaluated as positive that majority of the clients joined the VCS for some development orientation reasons rather than just problem-solving. The majority of respondents received between 11 and 20 hours of counselling within the VCS. This amount can be evaluated as appropriate for some not very demanding consulting assignments.

It was 95 % of participants who remembered the consultant's name, which they had to put it down in the survey. This finding may be interpreted as a promising sign of possible future co-operation between the two parties. The consultant was recommended by friends and business colleagues in 28 % of studied cases. In 28 % of cases, the consultants were recommended by the RECs. In 13 % the consultant was picked up from the consultants' register and in another 13 % consultants approached clients with business proposals. There were only 3 % of other channels involved. Word-of-mouth and RECs appear to be the most important distribution channels for the VCS. Regarding the aid from other external sources, 59 % of clients have never used any other external assistance to solve their problems besides the VCS. Only 23 % have already had some experience with outsourcing assistance while 18 % are not sure how to answer this question. Out of these opinions it may be concluded that P1 can be regarded as confirmed.

Table 1. Reason for enrolment into the VCS (1-highly disagree, 5-highly agree)

Rank	Issue	Overall mean: 3.95	Mean
1 st	I enrolled because I believed it would be useful for my business.		4.88
2 nd	I wished to prepare a long-term strategic development plan.		4.58
2 nd last	I felt the lack of entrepreneurial skills and knowledge.		3.15
Last	I wanted to be ready on time for challenges of e-business.		3.00

Source: Own research, 2008

The most frequent demand for different consulting services was for different feasibility studies and business plans (16 %) and issues regarding production (13 %). The largest proportion of clients used the subsidiary between 330 and 410 Euro. 69 % of participants think they know about all the services within the VCS while, 10 % think they don't. Participants were asked to evaluate 19 different possible reasons for enrolment into the VCS. In order to keep the relevant data more transparent it was

decided to present only two most and two least important issues in table 1. The same principle was followed also in tables from table 2 to table 6. As shown in table 1, the most frequent reason for getting enrolled into VCS is for a general belief that this may be useful. However, the preparation of development plans was the second most frequent reason. As shown in table 2, participants evaluate most their technical expertise (which is expected, because they mostly experienced technical or engineering background), second ranked valued is their customer relationships (which is in a way surprising) while they least value their knowledge on European issues and accounting. The European issues can be understood to outcome as a wish of FYROM to enter EU once in the future, while accounting can probably be linked to the common aim of tax optimisation among SME people.

Table 2. Level of knowledge possessed (1-very low, 5-very highly)

Rank	Issue	Overall mean: 3.97	Mean
1 st	Technical expertise from the area of business		4.67
2 nd	Customer relationships		4.55
2 nd last	European Union issues		3.43
Last	Accounting		3.32

Source: Own research, 2008

As far as business performance is concerned, the participants value highest the quality of their products and services and personal freedom and autonomy which they are entitled by working on their own. While personal freedom and autonomy are classical postulates of entrepreneurship the quality of products/services is often perceived as key competitive advantage in transition economies, but, unfortunately, often its importance and real value is subjectively overestimated. On the other hand, respondents are least happy with profitability and their personal revenues as shown in table 3. This may be interpreted that their expectations about financial gains from the businesses tend to be more ambitious in the future. Again, 17 different issues were offered to be evaluated by the respondents but it was decided to present only most and least important in the table 3.

Table 3. Performance of the business in the last year (1-very low, 5-very highly)

Rank	Issue	Overall mean: 4.30	Mean
1 st	High quality of products and services		4.61
2 nd	Personal autonomy and freedom		4.41
2 nd last	Profitability of the company		4.18
Last	Financial revenues from the company		4.00

Source: Own research, 2008

More than 80 % of respondents spent no or very little money on education and training: 28 % spend nothing and 55 % spend less than 8.3 Euro per year. The majority of the responses (almost 80 %) were linked to formal education and about

10 % to multi-day and one-day trainings and educations. The most frequent answer (82 %) was that education and training is not expected to be practical and therefore useful which tends to be consistent with some older research findings (Gibb and Dyson, 1984; Storey and Westhead, 1996).

Table 4. Satisfaction with different views of VCS (1-highly disagree, 5-highly agree)

Rank	Issue	Overall mean: 4.87	Mean
1 st	The consultant was very skilled and professional.		4.92
2 nd	The content of consulting was very up-to-date for the needs of the company.		4.90
2 nd last	General impression about the consulting process is positive.		4,84
Last	Consulted had impact on better performance of the company.		4.75

Source: Own research, 2008

As shown in table 4, entrepreneurs were most satisfied with the skills and professionalism of consultants and with the content of consultant which was very up-to date for the need of the company. In total, eight issues on different issues of the VCS were offered in the questionnaire. On the other side, the least two value issues which are general impression about the consulting process and the impact on performance may be interpreted as, that clients do not foresee the real direct impact of the consultancy delivered, however, they still believe it was useful. The expected results of the consulting project were met by 77 %, while 18 % think that results cannot be evaluated yet. Generally, 58 % of participants believed that usefulness of the VCS is whether high or very high. The level of satisfaction with consultants' skills and knowledge has proved to be very high as shown in table 5. The levels of satisfaction with both, the VCS and consultants are surprisingly high. Therefore, a certain bias of responding more in favour of the system rather than realistically is suspected. On the other hand, this high level of satisfaction can be interpreted as a gratefulness of the respondents which in majority of cases received their first state-aid subsidiary through the VCS so they wanted to show their appreciation of this fact with giving higher grades.

Table 5. Satisfaction with consultants' skills and knowledge (1-highly disagree, 5-highly agree)

Rank	Issue	Overall mean: 4.75	Mean
1 st	Having enough time and patience to listen to the client		4.94
2 nd	Interpersonal skills		4.92
2 nd	From the client he/she expect to use the suggested solutions and recommendations.		4.50
Last	He/she knows how to terminate the cooperation when the assignment is finished.		4.33

Source: Own research, 2008

The expectations about the impact of the counselling are expressed to be quite optimistic: three thirds of participants think that benefits will come out very soon – within some months, while 18 % think that they may show within one year time. Other respondents expect longer time periods for benefits.

Regarding the performance of REC, the respondents evaluated nine different issues. Their ability to give general advice and information received the highest appreciation together with the advice on procedures to establish new companies. On the other hand, entrepreneurs valued the least the information about the financial initiatives for SMEs (probably because widespread financial assistance is simply not available) and office working hours of RECs (table 6). This may be interpreted as a consequence of possibility that some of the RECs may have already started to introduce unpopular administrative patterns of behaviour which are not appreciated by business people. In competing to consultants, the overall mean score for RECs is significantly lower than for consultants ($t=4.18$, $df = 9$, $p = 0.002$) which makes P4 confirmed.

Table 6. Satisfaction with cooperation with REC (1-highly disagree, 5-highly agree)

Rank	Issue	Overall mean: 4.69	Mean
1 st	General advice and information received		4.91
2 nd	Advise and procedures on establishing a company		4.87
2 nd last	Information about financial initiatives for SMEs		4.54
Last	Availability at official working hours		4.50

Source: Own research, 2008

There are 31 % of participants that claimed to ‘actually always’ use the consultant’s recommendations and 56 % of those who used it very often. Only 8 % of clients have never used advises from the consultants after the consultation process within the VCS had been finished. Almost 90 % of the participants promised to come back and uses the services of the VCS while others are not sure. It is important that no respondent rejected the possibility to re-enter the VCS in the following year. As far the overall level of satisfaction with the VCS is generally high, with expressed opinion for the need to spread entrepreneurial climate (table 7).

Table 7. Satisfaction with service within VCS (1-highly disagree, 5-highly agree)

Rank MK	Issue	Mean MK N=96	Mean SLO N=97	Rank SLO
1	The organizer-consultants are highly trained regarding the VCS.	4.90	4.51	1
2	The VCS is highly needed for spread of entrepreneurial climate in the country.	4.67	4.42	2
3	The VCS has positive contribution to the local and regional development.	4.67	4.38	3

4	The services within the VCS result in better business performance.	4.66	3.98	8
5	For enrolment into the VCS the geographical proximity of consultant is of a key importance.	4.63	4.17	5
6	In general, I am very satisfied with the service provided within the VCS.	4.58	4.20	4
7	Administrative procedures in the VCS are short and efficient.	4.38	4.11	6
8	Entrepreneurs in the VCS also get access to new contacts and networks.	4.31	4.01	7
9	The entrepreneurs often get opportunity for ne networking while they are in the VCS.	4.31	3.87	9
10	The services within the VCS are very well described in official publications.	4.17	3.72	10
Overall mean ($t = 3.46$, $df = 10$, $p = 0.006$) Kendall $\tau = 0.78$, $n = 10$, $p < 0.05$		4.61	4.14	

Source: Own research, 2008 and Drnovšek (2005)

As one can see from table 7, the evaluation given in FYROM was significantly different in comparison to the one in Slovenia in 2005 ($t=3.46$, $df=10$, $p=0,006$). On the other hand the comparison of rankings of importance reveals a high level of correlation between the rankings of level of satisfaction with different services (Kendall $\tau = 0.78$, $n = 10$, $p < 0.05$). This may be interpreted as possibility that the VCS was in a way successfully mirrored from one economy to another which partly confirms propositions P3 and P5.

Table 8. Impact of counselling (1-not useful, 5-very useful)

Rank MK	Issue	Mean MK N=96	Mean SLO N=97	Rank SLO
1	Increase of practical experience in entrepreneurship	4.64	3.54	6
2	Better possibility to grow the business	4.57	3.61	5
3	Increased quality of products	4.31	3.25	8
4	Faster responding to changes in environment	4.26	3.87	1
5	Increased theoretical knowledge in the business	4.25	3.84	2
6	Access to new orders and customers	4.21	3.11	10
7	Companies which cooperate with consultants enjoy higher level of reputation within society	4.20	3.18	9
8	Access to new contacts and networks	4.18	3.64	4
9	Improved financial performance	4.03	3.32	7
10	Easier hiring of key employees	3.91	2.87	11
11	Successful tender applications	3.76	3.73	3
12	Counselling does not bring in direct financial impact	3.03	2.45	12
Overall mean ($t=5.51$, $df=12$, $p=0,0001$) Kendall $\tau = 0,21$, $n = 12$, $p = 0.3753$		4.11	3.37	

Source: Own research, 2008 and Drnovšek (2005)

As in table 8, the expectations about possible impact from the VCS were significantly different in FYROM in comparison to the one in Slovenia ($t=5.51$, $df=12$, $p=0,0001$). However, the comparison of rankings of impact expectations reveals a low level of correlation between the rankings in the two countries (Kendall $\tau = 0.21$, $n = 12$, $p = 0.3753$). The possible interpretation of this finding may be that because of different level of entrepreneurship and SME sector development in the two countries, the level of expectations about the outcome and longer-term impact of business support processes among which business counselling is discussed in this case. However, these differences cannot contribute to the confirmation of the proposition P5. On the other hand, from the discussion below, P3 cannot be confirmed.

6. Conclusions and implications

The most likely sign-in sources into the VCS were formal channels such as chambers and local entrepreneurship centres, creating opportunities for popularization through both the more credible channel of personal networks and the more efficient channel of the Internet. By joining the program entrepreneurs mostly expected help with practical goals such as winning public tenders, getting loans, standards certificates etc. The program is hence currently more oriented to consulting than educational training, which is primarily determined by the approach of individual consultants. Instead of such a one-course-menu service, a more proactive and long-term stance would be better for them. Evidence from the past shows there is more demand for consulting services that meet the short-term objectives of a company, for instance the preparation of business and investment plans, designing applications for public tenders, meeting standards required by new legislation, financial restructuring etc.

Only a small proportion of the services have focused on the long-term development of a company. Strategic and marketing plans, human resources development plans, business plans to attract equity capital, feasibility studies for inventing a new product or services have so far been rare. Therefore, a mechanism should be introduced to attract companies to become more involved in long-term thinking. One possibility is, of course, to stimulate the supply side of the consulting service market in FYROM.

The survey among existing customers of the VCS shows that the current contents of offered services meet entrepreneurs' requirements. However, in the future the system should more actively involve programs to support a shift from the traditional technical orientation of entrepreneurs to a more conscious marketing orientation. This can only be done through the more active implementation of practical education programs and workshops. This is also very closely tied to the quality of service offered in the system. From the investment point of view, the development of conceptual metrics of returns on investments in the system is demanded. These metrics will be needed in future negotiations to ascertain appropriate budget financing.

Finally, on the demand side customer re-targeting is an important objective. So far, the system has been in both studied countries used more by micro companies, lifestyle businesses, small family businesses and similar rather than companies that should be by its definition responsible for economic growth: fast growing dynamic enterprises, hi-tech companies, spin-offs from research institutions etc. Certainly one reason for this is that the annual limit therefore, an increase in that amount should be considered in the future. The other reason may be found in the lack of consultants who are truly able to understand the very specific needs of more ambitious and growth-oriented entrepreneurs and their companies which is again the case for the both studied countries.

One of the possible shortcomings of the presented study is by no means that no contingency analyses was made to explore the impact of context factors like size of company, age of company, gender of entrepreneur on satisfaction indicators. This has been a rational decision for the two main reasons: (1) relatively small sample which makes sub-samples even smaller and difficult to compare and (2) the main objective of the paper which was finding the answer to the question whether the replicated study on a VCS would bring similar and comparable results. There is also no systematic comparison between the successes of the scheme in the two countries analysed, because of the mentioned lack of adopted common methodology to evaluate this type of public policy schemes. Thus, it is also difficult to provide evidence of success of the scheme in the FYROM and the level of satisfaction of beneficiary is the only realistic measure that is available. Therefore, the statement that the VCS has been successfully transferred is based on subjective and anecdotic paradigm to a certain level.

The transfer of the know-how of a best-practice type of a business support service is likely to have many important meanings for the future activities. (1) Being one of the first cases of this kind, the story of a successful know-how transfer of the VCS from Slovenia to FYROM may become a role model for the future activities of this type. Implementing a well proved business support scheme may directly reduce the development costs and give governments opportunities to allocate more resources for the active phase of the scheme and make more resources available for the final beneficiaries. (2) Publicly funded scheme needs a regular system of evaluation (Johnson et al., 2000). For the case of FYROM, this evaluation which has been so far done through an EAR funded technical assistance project, may be in the future partly based on the benchmarking procedure done on the comparison with the evaluation findings, achieved in Slovenia with possible comparative development of the key performance indicators which may become a part of the longitudinal evaluation process. (3) The state of the art of the development of the VCS in FYROM may be estimated as to be three years behind Slovenia, measured in the time framework. However, the speed of the future development of the VCS in FYROM may be substantially increased by implementation of the already tested protocols from Slovenia. (4) When Slovenia became full time member of the EU, the VCS was one of the very few schemes, specialized in the SMEs support which was

financed from the EU structural policy measures funds. This may be a good opportunity also for FYROM, once this country may become eligible for this source of EU finance.

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